

FISCAL NOTE

HB 2076 - SB 2483

February 19, 2002

SUMMARY OF BILL: Bill creates the "Rx program" in the Department of Health that would be open to all residents of Tennessee. Among other things the bill:

- Authorizes the Commissioner of Health to negotiate with prescription drug manufacturers and labelers for rebate agreements.
- In the event no rebate is offered the Commissioner is authorized:
 - To review whether such company's products should be placed on the pre-authorization list for TennCare and other state funded drug plans.
 - Release the names of such companies to the public.
 - Publicize the cost of drugs from companies that agree to rebates.
 - Establishes prices for drugs offered under the Rx program as 6% below wholesale plus a dispensing fee by July 1, 2002.
- Bill creates the Tennessee Rx Dedicated Fund to receive rebates paid by drug companies, to reimburse pharmacies and to reimburse the Department for administering the Rx program.
- Requires the Department of Health to reimburse pharmacies on a weekly or bi-weekly basis.
- Requires the department to report to the legislature on an annual basis.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$2,500,000 Recurring
\$500,000 One-Time**

**Other Fiscal Impact – The amount of rebates collected from
manufacturers and the amount of remittance to pharmacies
cannot be determined but is estimated to exceed
\$100,000,000**

Estimate assumes:

- All residents of Tennessee are eligible to participate and the number that would do so is estimated at 500,000. Most individuals covered by health insurance plans, including TennCare enrollees, would not participate.
- Based on experience in the TennCare program involving average prescription usage and manufacturers rebates the amount of rebates is estimated to exceed \$100,000,000.

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- The Department of Health would require additional staff and related expenses to operate the program and would contract with a pharmacy benefit manager to handle transactions.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first name "James" being the most prominent.

James A. Davenport, Executive Director